



FREQUENTLY ASKED QUESTIONS (FAQs) REGARDING THE ARKANSAS FUNERAL CARE (JACKSONVILLE, AR) PRE-NEED CONTRACTS

PREFACE

With the closure of Arkansas Funeral Care, LLC in Jacksonville, AR on Wednesday, January 21, 2015, the Arkansas Insurance Department's Prepaid Funeral Benefits Division has received numerous calls from Arkansas Funeral Care customers that were affected by the funeral home being closed. Many of the questions being asked are important and the answers to these questions should be available to all - customers impacted by this event.

Below are a few of the frequently asked questions (FAQs) that we have received and the answers to those questions.

Q: I had/have a pre-need funeral contract with Arkansas Funeral Care (AFC). What has happened to the records now that AFC has closed?

A: Following the hearing of the Arkansas State Board of Embalmers and Funeral Directors on Friday, January 23, 2015, Arkansas Insurance Commissioner Allen Kerr signed an Emergency Order which authorized the Prepaid Funeral Benefits Division to go to Arkansas Funeral Care on Monday, January 26, 2015 and take possession of all of the pre-need contracts, files, reports, etc. All of the active pre-need contracts/files have been in the possession of the Arkansas Insurance Department since that date.

At the request of the Commissioner, a 100% audit of the pre-need contracts/files is being conducted by the Prepaid Funeral Benefits Division to ensure that all AFC customers with active pre-need contracts are identified and addressed.

Q: I'm concerned about the money I paid to Arkansas Funeral Care for my pre-need funeral contract. What has happened to it?

A: If the pre-need contract was set up as a "cash-funded" contract, any money paid to the funeral home toward the contract was deposited into a pre-need-funds-designated custodial account at a local financial institution. The Arkansas Insurance Department's Prepaid Funeral Benefits Division has placed an "administrative hold" on those pre-need-related accounts, so that no one other than the AID can withdraw funds.

If the pre-need contract was set up as an "annuity- or insurance-funded" contract, then the policy that is being administered by the insurance company/third party administrator (TPA) is still active and in-force. If the annuity or insurance policy is/was a single premium policy (i.e., all premium paid was up-front at the time the pre-need contract was made), then it will remain active and inforce. If the annuity or insurance policy was set up with premiums to be paid to the insurance company over a period of months/years, it is important that the contract purchaser/policyholder continue making payments toward the policy, even though Arkansas Funeral Care is "no longer in business." If premium payments are discontinued, the insurance company/TPA may lapse the policy due to non-payment of premium. If the policy is lapsed due to non-payment of premium, the policy cannot be pledged toward another pre-need contract at another funeral home (also known as a "substitute provider").



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Q: Arkansas Funeral Care is “no longer in business” and I bought a pre-need funeral contract through them. What happens now?

A: Since Arkansas Funeral Care has been closed, it will be necessary for the contract purchasers/customers who purchased pre-need funeral contracts to find another funeral home (substitute provider) to either honor the terms/pricing of the existing contract or to give them a credit toward a new pre-need contract, most likely at a different price.

Once the contract purchaser/customer has chosen another funeral home/substitute provider, he/she should let that provider know about the AFC pre-need contract. There are forms available for re-assignment/transfer of existing pre-need contracts/policies available on the Arkansas Insurance Department’s Prepaid Funeral Benefits Division website. Once the new pre-need contract has been executed (signed by both the buyer and the seller) and the re-assignment/transfer forms have been completed, the funds can be transferred to the new funeral home/substitute provider, or in the case of annuity/insurance-funded contracts, the policy will be changed to reflect the new funeral home/substitute provider as the beneficiary of the policy proceeds upon the death of the insured.

While we can offer guidance to customers affected by this event, it is the responsibility of the contract purchaser/customer to find another funeral home/substitute provider.

Q: When can I transfer my AFC pre-need contract to another funeral home?

A: You can begin talking with other funeral homes/substitute providers at any time. However, the Arkansas Insurance Department’s Prepaid Funeral Benefits Division will be unable to process any re-assignment/transfer requests until after Wednesday, February 11, 2015.

By law, we are required to conduct an administrative hearing to determine the disposition of AFC’s prepaid funeral benefits license. That hearing is currently scheduled for 10:00 a.m. (CST) on February 11, 2015.

Q: I don’t want to transfer my pre-need contract somewhere else. I just want my money back.

A: While we wish to accommodate all those who were affected by this event, we need to operate within the rules/laws that are currently in place regarding prepaid funeral benefits in Arkansas. The current Arkansas law that deals with cancellations and transfers – Arkansas Code Annotated (A.C.A.) § 23-40-122 – states that, if a contract was designated as “irrevocable” (meaning it cannot be revoked), then the contract purchaser is not entitled to a refund of the monies paid toward that pre-need contract. However, the contract purchaser of an “irrevocable” contract does have the option to have the contract re-assigned/transferred to another funeral home/substitute provider.

If the contract (and/or the policy funding that contract) is designated as “revocable,” then the contract purchaser does have the option to cancel the contract/policy and receive a refund.

A cursory review of the AFC pre-need contracts/files indicates that a majority of the pre-need contracts were designated as “irrevocable,” which means they can be re-assigned/transferred to another funeral home, but not cancelled and refunded to the contract purchaser.



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Q: I cannot get in touch with Arkansas Funeral Care since they are closed and I have questions about my pre-need contract. To whom can I talk?

A: For inquiries regarding active pre-need funeral contracts formerly held by Arkansas Funeral Care in Jacksonville, AR, you may contact the Arkansas Insurance Department's Prepaid Funeral Benefits Division at (501) 371-2665. If you are unable to reach a member of our team right away, please leave a voicemail message with your name, call-back number, and a brief description of the issue, and we will return your call as quickly as possible. It is our goal to provide the highest level of customer service that we can to the pre-need customers affected by this unfortunate event.